

## **RTC CONSUMER ADVISORY COMMITTEE**

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October 22, 2002

Chairman Michael Powell  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Re: Universal Service Contribution Mechanism - Comments on Recommendation from State Joint Board Members

CC Docket Nos. 96-45, 98-171, 90-571, 92-237, NSD File No. L-00-72,  
CC Docket Nos. 99-200, 95-116, and 98-170

### **EX PARTE PRESENTATION**

Dear Chairman Powell and Commissioners:

On August 7, 2002, the State Joint Board Members addressed a letter to Chairman Powell, containing their recommendations for revisions to the Universal Service Contribution Mechanism, following the public meeting on this subject on June 21, 2002. The Ronan Telephone Consumer Advisory Committee (RTCAC), a volunteer telecommunications consumer-advocate organization in Ronan, Montana on the Flathead Indian Reservation, respectfully submits the following preliminary comments on the proposal:

We strongly believe that the proposal by the State Joint Board Members is unnecessary, ill-advised, and contrary to state and federal universal service goals. Their proposal would add a \$1.00 per line per month fee on residential, single line business and wireless lines for at least five years; would be placed on customers bills as a "line item"; and would be effective as of July 1, 2003.<sup>1</sup> This proposal would add a significant charge to rural telephone costs, including many low income, fixed income, and economically stressed consumers, farmers, ranchers and small

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<sup>1</sup> See Letter from State Joint Board Members to Chairman Powell, August 7, 2002, p. 3

businesses. At the current RTC local service rate of \$7.75 per month, the \$1.00 “Federal Universal Service Fee” would constitute an increase of 13%. This would be in addition to the SLC increases from the FCC’s MAG Order, which is increasing RTC local rates an additional 26%.<sup>2</sup> In the current economy, in a small agricultural community, such increases are severely detrimental to consumers budgets, and to the continued vitality of affordable universal service. A recently released Report from NECA documents the negative effects on rural America of shifting the burden of telephone network cost recovery from long distance carriers to end users and government support mechanisms.<sup>3</sup>

The RTCAC urges the FCC to reject the proposal by the state members of the Joint Board, on the basis that its recommendation will be detrimental to the protection and preservation of affordable basic telephone service, especially in rural and economically disadvantaged areas of our country. The FCC should very carefully consider any proposed changes to the current contribution methodology, to enhance the goals of stability and sufficiency, while also promoting the prime policy goal of affordability and availability of telecommunications to all consumers, as required by Section 254 of the Telecommunications Act. RTCAC believes that any modifications should be small, incremental changes to the current contribution system, and nothing on the scale of the massive and radical changes advocated by the State Joint Board Members.

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<sup>2</sup> The RTC local rate of \$7.75 and SLC of \$3.50 before MAG (\$11.25 total), increased by SLC increases to \$5.00 on Jan. 1, 2002, to \$6.00 on July 1, 2002, and to \$6.50 on July 1, 2003, for a total SLC increase of \$3.00 per month ( $\$3.00 \div \$11.25 = 0.2666$ ).

<sup>3</sup> For rural customers, basic local rates have increased on average by 36% from 1994 to 2002. Rural customers also pay more in long distance charges, both on a per minute basis, and in average toll minutes (local to total minutes are only 58% in rural areas, compared to 79% in non-rural areas). The NECA study concludes that rural customers are less able to absorb increases in end user charges than their urban counterparts; and the disparity may widen between the quality and availability of telecommunications services for rural versus urban customers as a result of the government policy of shifting cost recovery from long distance carriers to end users. “Trends in Telecommunications Cost Recovery; The Impact on Rural America” NECA, September, 2002, at <http://www.neca.org/exesummary.pdf>.

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Sincerely,

Corwin Clairmont, Chairman  
Ronan Telephone Consumer Advisory Council

cc: Federal-State Joint Board (state members)  
FCC Commissioners  
Senator Max Baucus  
Senator Conrad Burns  
Montana PSC  
Monica Tranel (Montana PSC staff)  
Mike Lee (Montana PSC staff)